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* ALSO ADMITTED IN N.C.

March 30, 2017

VIA, ELECTRONIC FILING

The Honorable Jocelyn Boyd
Chief Clerk and Administrator
The Public Service Commission of South Carolina
101 Executive Center Drive
Columbia, South Carolina 29210

Re: • Docket Number 2017-2-E

Dear Ms. Boyd:

We are correcting the previously e-filed, Direct Testimony of our witness Paul Fleury filed on behalf of Intervenor, South Carolina Solar Business Alliance, LLC. Accordingly, we enclose for filing a “clean” and redlined version of Witness Fleury’s Corrected Direct Testimony, Cover Sheet. This filing relates back to the date that Mr. Fleury’s Direct Testimony was originally filed.

Also enclosed is a Certificate of Service showing that all parties of record have been served. Please notify the undersigned if you there is anything else you may need.

Respectfully Submitted,

/S/ _____
Richard L. Whitt

RLW/cas

CORRECTED DIRECT TESTIMONY OF

PAUL FLEURY

ON BEHALF OF

SOUTH CAROLINA SOLAR BUSINESS ALLIANCE

DOCKET NO. 2017-2-E

Q. PLEASE STATE YOUR NAME, TITLE AND BUSINESS ADDRESS.

A. My name is Paul Fleury, I serve as the Chief Development Officer of Southern Current, LLC as well as a Board Member of the South Carolina Solar Business Alliance, (“SCSBA”). 1634 Ashley River Rd., Charleston, South Carolina, 29407 is the primary address for Southern Current and 1090 Jack Primus Rd. Charleston, South Carolina, 29492 is the primary address for SCSBA.

Q. DESCRIBE YOUR EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE AS IS RELATED TO THE SOLAR INDUSTRY.

A. I graduated from the University of Georgia with a Bachelor of Business Administration with a focus in Marketing from the Terry College of Business. In 2008, I co-founded Sustainable Energy Solutions, LLC, a renewable energy services provider with a focus on developing and integrating solar thermal and photovoltaic systems for residential, commercial & industrial (“C&I”), Department of Defense and utility-scale applications. During my time there, my activities supported the entire spectrum of business activities from project origination through commissioning. As of January 1, 2016, Sustainable Energy Solutions, became a founding member along with Solbridge Energy of Southern

1 Current, LLC. As of that date all our business activities operate through Southern Current,
2 LLC. As the Chief Development Officer of Southern Current, I am responsible for
3 overseeing all activities related to our utility scale development business unit. Through my
4 work at both companies, I have overseen business development activities that have resulted
5 in over 400 residential, commercial and Department of Defense solar installations across 7
6 states as well as the origination and development of 90 MWs of operating solar farms with
7 another 260 MWs set for 2017 construction and close to an additional 1 GW of solar
8 projects under development across the Southeast.

9
10 **Q. PLEASE DESCRIBE YOUR BUSINESS EXPERIENCE AS IS RELATED TO**
11 **REGULATORY MATTERS REGARDING THE SOLAR INDUSTRY IN SC**

12 **A.** I have been a member of the SC Solar Business Alliance since 2010. More recently I
13 served as the Board Chair in 2015 & 2016, where I represented the SCSBA's interests in
14 all proceedings relating to the implementation of the IOU's DER programs that resulted
15 from the passage of Act 236. At the end of 2016, I moved out of the role of Board Chair,
16 my new role is to represent the SBA's interest in all regulatory proceedings that affect our
17 membership.

18
19 **Q. ON WHOSE BEHALF ARE YOU PROVIDING THIS TESTIMONY?**

20 **A.** SCSBA.
21
22
23

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS COMMISSION?

A. Yes, I have provided written and verbal testimony before this commission on several occasions.

Q. WHAT IS THE PURPOSE OF THIS TESTIMONY

A. The purpose of my testimony is to discuss the performance associated with the Company's Distributed Energy Resource Programs (DER) specifically related to implementation of its Customer Scale DER Goals.

Q. CAN YOU PROVIDE AN ASSESSMENT AS TO THE EFFECTIVENESS OF THE NEM AND BCA PROGRAMS

A. As Mr. Raftery's testimony illustrates, Residential NEM program has experienced tremendous levels of participation and continues to grow at a rapid pace even in the absence of the PBIs that were available to the first 9 megawatts of program applicants. Conversely, as indicated in the testimony, the BCA programs have not seen the rapid program adoption rates that has been experienced by the NEM program.

Q. CAN YOU PROVIDE COMMENTS OPINING ON ANY PROGRAM OR MARKET DIFFERENCES THAT MAY BE THE CAUSE OF THIS?

A. There are a variety of factors that are contributing to the differences in program adoption related to market participants and program guidelines

1. The proliferation of residential solar leasing contracts is the strongest factor contributing to the rapid adoption of residential solar and the large imbalance in program participation between the NEM and the BCA. These providers are

1 generally offering a “no upfront cost, immediate savings” product that may be
2 attractive to a wider market of customers than those who would participate in
3 standard cash or debt financed purchases.

4 2. There are substantial differences in how the purchasing decisions are made
5 between a homeowner buying or leasing a system and a commercial or industrial
6 customer. For residential leasing companies, system reservations can occur on a
7 “one call close” and most debt financing companies can prequalify homeowners
8 within minutes. There is a large suite of financing options available for
9 homeowners that in most cases is FICO score based. Some of the Residential
10 financing companies currently offering loans in SC are:

- 11 a. Dividend Solar
- 12 b. Mosaic
- 13 c. Admiral’s Bank
- 14 d. Green Sky
- 15 e. Blue Wave

16 By comparison, C&I solar project transactions generally require a much higher
17 degree of diligence and tax consultation prior to making a purchasing decision.
18 Projects generally require owner-operated facilities with more robust structural and
19 electrical pre-design work required than a residential project. Outside of the
20 standard State and Federal Investment Tax Credits, C&I customers must make
21 considerations for depreciation, property taxes & potential for electric power tax
22 when considering the financial model presented by the developer. The process for
23 budgeting capital projects is also very different and less frequent than a homeowner

1 may consider. It often occurs once per year with multiple levels of management
2 level, corporate level and board level approvals which can take well over a year in
3 some cases. While the BCA program took some time to gain momentum we feel
4 it is important to note that the SCE&G generator interconnection queue has seen
5 substantial increases in activity for projects ranging in size from 20 kW to 1000
6 kW that we believe can be attributed to the long sales cycle associated with
7 performing the noted diligence activities.

8 Additional hurdles exist with financing these projects. Whereas residential
9 credit based lending has become commonplace, the standards and processes for
10 underwriting commercial and industrial clients are more complex and arduous.
11 Many of these customers do not have what would be considered investment grade
12 credit and often times are not publicly traded firms so they don't have public
13 reporting of their financials. In these instances, financing parties often times
14 require multiple years of audited financials, tax returns and or other balance sheets
15 and P&L statements. Even upon receipt of these financials, the qualification and
16 underwriting process is a much longer and arduous process then credit based
17 lending available to the residential market. The net effect of these issues is that the
18 sales process is substantially longer in such a commercial transaction than it is for
19 residential transactions.

- 20 3. The program design, in regards to the application and acceptance procedures,
21 favors the shorter procedure required by the residential and under 100 kW
22 commercial process compared to that of customers requesting BCAs for projects
23 between 100kW and 1000 kW.

1 ~~Q. CAN YOU DISCUSS ANY CONCERNS RELATED TO THE PROLIFERATION~~
2 ~~OF RESIDENTIAL LEASING AS IN RELATES TO THE ADOPTION RATES~~
3 ~~UNDER THE STATE'S APPROVED NEM PROGRAM~~

4 ~~A. The Residential Solar leasing value proposition is dependent upon the assumption that~~
5 ~~Full Retail NEM will be available to the homeowner for the life of the contract thus~~
6 ~~providing that the savings generated on the electric bill will always be in excess of the~~
7 ~~leasing payments. The IOU's net metering tariffs are approved by the PSC and will be in~~
8 ~~effect through December 31, 2025. The settlement agreement related to Net Energy~~
9 ~~Metering stipulates that the tariff taking effect after it expires will be approved by~~
10 ~~December 31, 2020. The SCSBA is concerned that the leasing contracts do not adequately~~
11 ~~disclose that retail rates are subject to change which could substantially impact the savings~~
12 ~~that were marketed at the contract execution.~~

13
14 **Q. CAN YOU DISCUSS ANY CONCERNS THAT HAVE ARISEN RELATED TO**
15 **PROGRAM DESIGN THAT MAY HAVE RESULTED IN GREATER AND MORE**
16 **RAPID RESIDENTIAL NEM PROGRAM ~~ADOPTION~~ADOPTION OVER BCA**
17 **PROGRAM ADOPTION?**

18 **A.** Based on the program participation numbers through the end of 2016 provided in Mr.
19 Raftery's testimony, participation is heavily skewed towards the residential NEM program.
20 While I have indicated that the proliferation of residential leasing is largely responsible for
21 the rapid adoption of NEM solar in the Company's territory, it should be noted that the
22 program participation variation for the other IOUs, that received approval to administer
23 DER Programs under Act 236, is not nearly as heavily weighted towards under 20 kW

1 NEM as is evident by the enrollment application statuses represented on their respective
2 websites. This variance has led me to evaluate the specific requirements that have to be
3 met in order to reserve capacity for SCE&G's NEM and BCA programs.

4 In my evaluation, I have identified a significant factor that inadvertently has resulted in
5 discrimination against larger projects seeking approval under the BCA program. The
6 General Provisions Sections of both the *Riders to Retail Rates for the Bill Credit Agreement*
7 (*"BCA"*) for Renewable Energy Facilities (see, PDF-EXHIBIT "1", NEM Retail Rider and
8 PDF-EXHIBIT "2", BCA Rider), require a generator to complete the interconnection
9 process as is regulated by the SC Generator Interconnection Procedures. While this is a
10 just and reasonable requirement to obtain service under these riders, the requirements of
11 the process for generators under 20 kW are substantially less than for that of generators
12 over 100 kW up to 1000 kW.

13
14 **Q. CAN YOU DISCUSS THE SCE&G PROCESS FOR APPLYING AND**
15 **RESERVING CAPACITY FOR PROGRAMS AVAILABLE TO GENERATORS**
16 **UNDER 20 KW?**

17 For projects under 20 kW, the SCE&G has implemented a software known as
18 Powerclerk to manage interconnection requests for both the NEM and the BCA program
19 applications. Per Section 4.1 of the Installer User Guide: General Project Timeline
20 Guidelines (see, PDF-EXHIBIT "3"), once an application has been deemed complete, it
21 will be assigned a status of Complete Package/Ready for Technical Review. At this point
22 the SCE&G will begin a technical review, which is expected to take 15 days. If the project
23 is deemed to have passed the technical review, then the project will be assigned a status of

1 Technical Review Complete/Awaiting SCE&G Approval. At this point an SCE&G
2 representative will sign off on the project and the customer will receive a notice of
3 "Contingent Approval to Interconnect". Per Section 5.9 of the Installer Guide (see, PDG-
4 EXHIBIT "4"), the customer will receive a notification that their application has been
5 approved. It is in this communication that the applicant will be notified of his or her
6 acceptance into the NEM program. Based on the timeline described in the Installer
7 Guideline, the total time from acceptance of a completed application until approval for
8 acceptance into the designated program, this part of the process should be completed in 15-
9 20 business days. This assumes that the project passes the technical review stage without
10 needing to provide any more information to the Company.

11
12 **Q. CAN YOU DISCUSS THE SCE&G PROCESS FOR APPLYING AND**
13 **RESERVING CAPACITY FOR PROGRAMS AVAILABLE TO GENERATORS**
14 **OVER 20 KW?**

15 **A.** Projects over 20 kW and less than 1000 kW are requesting interconnection approval
16 under the Fast Track Process as is defined in Section 3 in the SC Generator Interconnection
17 Procedures (see, PDF-EXHIBIT "5"). In the best-case scenario, the total time that is
18 outlined under the standard is 43 business days (see, PDF-EXHIBIT "5"), for the utility to
19 provide an Interconnection Agreement. In order to complete the interconnection process
20 and be approved for the BCA program, the interconnection customer must execute and pay
21 for an associated system upgrade required to interconnect to the system. The standard
22 prescribes a 10-business day period to sign the IA and 45 business days to pay for any
23 upgrade. If the project does not pass the Fast Track screens, then it can be moved into a

1 supplemental review, which can add an additional 30 business days. In this case the total
2 time between submission of an interconnection request and payment for any upgrade can
3 be as much as 128 business days. The larger the project is the more likely it is that it will
4 fail a screen and potentially move down the supplemental review path.

5
6 **Q. CAN YOU DISCUSS ANY DIFFERENCES BETWEEN THE SCEG PROCESS**
7 **FOR RESERVING CAPACITY AND THE DEC AND DEP PROCESSES?**

8 **A.** The most obvious difference between the processes is that SCE&G requires full
9 completion of the interconnection process while DEP & DEC required a completed
10 interconnection request as a component of the rebate application. It is my understanding
11 that the rebate applications were reviewed and approved in the order they were received.
12 While the completed interconnection process is a condition of final issuance of a rebate,
13 the capacity could be reserved with the completed application. I'm not advocating for one
14 over the other but I believe it should be noted the programs offered by Duke have a more
15 balanced participation across the residential and commercial markets.

16
17 **Q. DO YOU HAVE ANY SUGGESTIONS FOR THE BEST WAY TO SUSPEND THE**
18 **BCA PROGRAMS?**

19 **A.** The SBA would like to see BCA applications accepted by the company for the remainder
20 of the year. It proposes that any project applying for the NEM program after January 1st,
21 2017, not contribute to the 1% customer sited goal defined in Act 236 and should only
22 contribute to the 2% NEM cap as defined by Act 236. Based on Mr. Raftery's testimony
23 as of Jan. 1, there appears to be approximately 16,500 kW of available capacity left before

1 SCEG hits the 1% program goal. We believe that entire capacity should be allocated for
2 commercial customers participating in the BCA program. Accepting applications through
3 the end of the year will allow the program to establish a waiting list as projects make their
4 way through the interconnection process and choose whether to move forward or withdraw.
5 If the scenario arises in which there are more projects that withdraw than can fill the
6 available capacity, then SCE&G can allocate NEM program participants toward the
7 customer sited 1% goal prescribed by Act 236.

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9 **Q. DOES THAT CONCLUDE YOUR TESTIMONY?**

10 **A.** Yes.
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ON BEHALF OF

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18 acceptance into the designated program, this part of the process should be completed in 15-
19 20 business days. This assumes that the project passes the technical review stage without
20 needing to provide any more information to the Company.

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8 provide an Interconnection Agreement. In order to complete the interconnection process
9 and be approved for the BCA program, the interconnection customer must execute and pay
10 for an associated system upgrade required to interconnect to the system. The standard
11 prescribes a 10-business day period to sign the IA and 45 business days to pay for any
12 upgrade. If the project does not pass the Fast Track screens, then it can be moved into a
13 supplemental review, which can add an additional 30 business days. In this case the total
14 time between submission of an interconnection request and payment for any upgrade can
15 be as much as 128 business days. The larger the project is the more likely it is that it will
16 fail a screen and potentially move down the supplemental review path.

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22 interconnection request as a component of the rebate application. It is my understanding
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8 **A.** The SBA would like to see BCA applications accepted by the company for the remainder
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10 2017, not contribute to the 1% customer sited goal defined in Act 236 and should only
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16 way through the interconnection process and choose whether to move forward or withdraw.
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18 available capacity, then SCE&G can allocate NEM program participants toward the
19 customer sited 1% goal prescribed by Act 236.

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21 **Q. DOES THAT CONCLUDE YOUR TESTIMONY?**

22 **A.** Yes.
23

**BEFORE
THE PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA
DOCKET NO. 2017-2-E**

IN RE: Annual Review of Base Rates for
Fuel Costs for South Carolina
Electric & Gas Company

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)

CERTIFICATE OF SERVICE

I, Carrie A. Schurg, an employee of Austin & Rogers, P.A., certify that I have served copies of the Corrected Direct Testimony of Paul Fleury on behalf of Intervenor, South Carolina Solar Business Alliance, LLC, Cover Sheet and this Certificate of Service, via electronic mail on March 30, 2017.

Andrew M. Bateman

Email: abateman@regstaff.sc.gov

Charles L.A. Terreni

Email: charles.terreni@terrenilaw.com

Jeffrey M. Nelson

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J. Blanding Holman, IV

Email: Bholman@selcsc.org

Lauren Joy Bowen

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Mitchell Willoughby

Email: mwilloughby@willoughbyhoefer.com

/S/_____
Carrie A. Schurg

March 30, 2017
Columbia, South Carolina